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TRADE, CONCESSIONS, INVESTMENTS, CONFLICT AND POLICY IN THE FAR EAST¹

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IN a problem of practical politics we are concerned much more with the nature of activities and instruments than with their designations. Terms we must use, definitions we may have, but of easy characterizations we need to beware.

Trade, the developing of concessions, and the investing of capital are three forms of commercial activity. It is possible, obviously, to differentiate them — in some respects. There are, however, circumstances in which the three become so intimately associated that attempts separately to characterize the transactions involved lead only to confusion and error.

“Trade” suggests an exchange of commodities; “concessions” suggest an assignment of opportunities; “investments,” a placing of capital. But in a transaction of any of the three we have two parties or more, each seeking some profit or some advantage, each giving and each getting something. In every case we have contact. With contact we get the possibility of friction. The more nearly the parties involved stand on equal footing—in economic and political strength and security—the more likely is it that business relationships and transactions will be satisfactory to both. The less there is of equality, and the further the groups are removed from outside restraining influences, the greater the likelihood that one party will take advantage of another—the consequence being some type of conflict.

When we talk of trade, concessions and investments we must think of each not alone in terms of itself but also of its concomitants. One of the foremost of the concomitants of all three is competition. We have the possibility of conflict

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among competitors for each, as well as between the parties to the transactions actually effected.

Trade pure and simple may give rise to either or both species of conflict; concessions and investments are likely to. But the fault is not that of activity; it lies in the intent of the parties, the methods of the transaction, and the use to which the advantages gained may be put. It is not the thing, it is its abuse that leads to conflict.

For the purposes of the present discussion it will be necessary to direct attention only to illustrations drawn from the modern history of the Far East—almost exclusively from that of China.

Trade, without politics, without concessions, and without investments may lead to conflict. When the West went to the East, the occidental pioneers were intent upon getting the most possible and giving the least. Exploitation and monopolization were cardinal principles. The Dutch and the Portuguese abused the Chinese and Japanese and slandered and fought with each other for the sake, as they conceived it, of individual advantage in trade. When the English came, the Chinese, already persuaded that they should have nothing to do with a third race of barbarians, refused the English offer of trade—and the first encounter of the two nations was one of arms.

The business which the East India Company built up at Canton was one of trade pure and simple. But it ran counter to Chinese law and it proved disadvantageous to China, economically and otherwise. On their side the Chinese made the life of the foreign merchants so uncomfortable, and interfered with the trade so vexatiously, that the English merchants finally called upon their government for assistance. Trade, unfairly conducted on both sides, led to war.

The concession is, of course, much more conspicuously and more immediately associable with conflict than is simple trade. But the desire for trade is frequently primary among the considerations that lead to the taking of concessions. The methods by which concessions have been acquired and the manner in which they have been used as instruments for furthering political ends are what have brought them into disrepute. As concession getting has been practised, we usually find groups

from several states competing—with or without the assistance of their respective governments—and employing all sorts of instruments of pressure, even to threats or employment of force, to acquire what they wish.

The concessions taken in China have been many, various, and subject to much abuse. Russia first secured a privileged position in the north in the matter of trade rights and frontier duties. France then secured a reduction of duties in her favor in the south, with a "first-aid" pledge if China should seek to build railways. In 1895 France secured additional commercial privileges in the south exclusively for French benefit, with first call upon the right to assist China in mining operations in three provinces and the right to extend French-Annamese Railways into China. In the previous year, 1894, the British had secured a reduction of duties on the Burmese frontier—but they now demanded as an offset to the new advantage acquired by France that new trade-routes be opened in the southwest and south.

These operations, together with the conspicuous breach made in the principle of China's territorial integrity by the Chino-Japanese War, paved the way for the general assault known as the scramble for concessions. China, beaten in arms by Japan, her weakness exposed, was forced during the next four years, from 1894 to 1898, to grant almost anything and everything asked of her. The most-favored-nation clause was used by one nation after another as a lever for prying from the Tsungli-Yamen compensations for each concession given any other.

Russia, using a so-called Russian-Chinese bank and a so-called Russian-Chinese Railway Company as instruments, secured the right to build the Chinese-Eastern link, across Manchuria, of the Trans-Siberian Railway. In connection with this all sorts of privileges were accorded. France next secured the non-alienation pledge respecting the Island of Hainan. Great Britain secured a non-alienation pledge respecting the Yangtse valley; Japan, a similar pledge respecting Fukien province; Great Britain, the pledge that the Inspectorate-General of Customs should remain in British hands; France, a

similar pledge regarding the directorate of the Imperial Postal Service. Germany secured the lease of Kiaochow Bay, special mining and railway-building privileges, and the right of first aid for any industrial developments which China might choose to make in Shantung province. Russia secured the lease of the southern extremity of the Liaotung peninsula, together with the right to build a north and south Manchurian railway line. Great Britain took two territorial leases. France secured the lease of a bay and the right to build a railway into Yunnan, and other lines to the West River. Japan secured the opening of settlements exclusively for Japanese subjects at six ports. Italy alone of the powers was refused a concession which she asked. And Austria and the United States appear to have been the only great powers which had asked for nothing and been given nothing.

The most objectionable feature of the concessions of this period was their political aspect. Each, either by express provision or by the interpretation subsequently put upon it and enforced by the favored foreign power, tended to abridge or destroy China's sovereignty within the region affected. Each of the holding powers henceforth considered some region or other its sphere of influence. Some were inclined to prefix the adjective exclusive. Within five years Russia had made herself politically dominant in Manchuria. Before the year 1898 was ended, France had protested against negotiations then proceeding for construction by British firms of a railway from Canton to Kowloon, on the score that Kwantung province was within the French sphere of influence. After 1905, Russia and Japan closed Manchuria to railway investments, except their own. In 1914, Japan prevented the introduction of American capital, though in Chinese hands, into Fukien province on the plea that Fukien is a Japanese sphere of influence.

These concessions went to individual nations. They were of two sorts—territorial and industrial. Those which had to do with construction provided for development by foreigners of properties which were to be owned by foreigners and under foreign control; as, for example, the Russian, the German and the French railways. It was this, together with the fact that

these concessions were in most cases made to foreign governments, that has made these concessions subject to use—and abuse—as political weapons, used against China and by various nations against one another.

The concessions of the years 1894-1898 were responsible as were no other group of factors for the anti-foreign aspects of the Boxer uprising of 1900, in the course of which the Manchu government sought by a single great *coup* to get rid of foreigners and all their works. They made possible the Russian invasion of Manchuria. This led to the Russo-Japanese War. This brought Japan on to the continent, paved the way for her annexation of Korea, brought Japanese interests into conflict with occidental interests—including American—and with Chinese interests. Political developments, one after another, led to Japan's entry into the present war, followed by her demands on China in 1915, and the taking of more concessions. A new question has been raised: what will be done at the conclusion of the war by way of re-establishing the balance of power—now again upset—in East Asia?

The special concession, secured under pressure, made exclusive, used as a political instrument and for individualistic ends, is undoubtedly a cause of conflict. Nevertheless, concessions properly acquired and honestly worked—with ulterior political design—may be made to play a proper and legitimate part in the development of trade, to the advantage of all parties concerned.

When we turn to investments in China, we have an enormous field and a labyrinthine structure to explore. Investments have followed and have promoted trade, and they have been a cause and a consequence of concession getting.

China first began to borrow money for governmental purposes and to admit capital for the construction of railways and for other extensive enterprises after the Chino-Japanese War. Her first loan became the occasion for a conflict between the British on the one hand and the French and Russians on the other. Early railway enterprises occasioned a conflict between the British and the Russians on the north, and another between Americans on one side and Belgians, backed by France

and Russia, on the other, in Central and South China. In 1905 China tried to get back all sorts of industrial concessions, and in some cases she succeeded—at considerable cost. In most cases some new privilege had to be granted as a substitute for what was recovered. China finally arrived at the determination henceforth to endeavor to retain control in the areas into which foreign enterprise was admitted; hence her newer policy of accepting foreign capital and assistance but contending for Chinese ownership and administration. The application of this principle has had manifest results since 1908. It has not affected the situation in Manchuria or materially affected developments under those of the older concessions which were not recovered; but in the realm of new developments, it has led to the supplying of capital, materials and engineers from abroad for the prosecution of enterprises, many of which have remained Chinese. Concession getting has continued; but the concessions have been of a type—with a few exceptions—not so immediately dangerous to China.

The competition for railway-building concessions and for loans has been keen, and political pressure has constantly reinforced, if not inspired, the efforts of concessionaires and investors. Capital which has not had some active official backing has had little chance.

One of the best examples is to be found in the history of the Hukwang Railways' loan. American capital, with a perfect legal claim and good moral and political reasons for insisting on participation in this loan, would not have been admitted by the British-French-German combination had not President Taft played a forceful part and insisted that American money be given its rightful place. The United States had already been approached by China with a tentative request for \$300,000,000 in another connection. American banks had actually entered into negotiations for a loan of \$50,000,000 for currency reform. After the American government had made good our claim of right, and American capital had been admitted to the railways' loan, the American banking group shared the currency loan with the British, French and German groups, and the two loans were contracted for by the four-powers group

then formed. The American government did not even insist upon appointing an American, according to the right which had originally been conceded, as China's financial adviser.

Since 1905, the French and the Russians have secured railway concessions which bring their interests into conjunction in West China. Belgium has secured concessions which run east and west in the Yangtse valley. Japan, by the agreements of 1915, has penetrated Central China. We now find no less than seven powers holding concessions in this region. The British sphere of influence has not been kept intact, and Great Britain has not attempted to maintain an exclusive position within this, her so-called sphere.

Four countries at least have sought to make some concessions and investments the basis for the assertion of exclusive rights and the starting point for the development of political programs. Some concession agreements have contained highly insidious features in the form of secret supplementary provisions which are brought to light only at a moment when they may be used most effectively for the purpose of preventing or destroying competition. In some cases the intimate association of the economic and political forces of a concession-holding state, both for the most part in the hands of the same few persons, have given the enterprises of that state unwarranted advantage. In one case at least, a considerable immigration of persons accompanies the introduction of capital and industry —thus multiplying the points of contact and of possible friction.

It should be apparent, then, that we are not warranted in generalizing as to the good or evil consequences of concession taking and investments. Each case should be considered on the basis of its own character and merits.

We come now to the question of policy. While we are interested in what ought to be, in what might be an ideal, we are most concerned with what may be, what is practically possible within the immediate and the near future. The determination of a policy calls for full consideration of past and present conditions, with constant reference to the nature of the factors involved. We must think of states, peoples, govern-

ments, diplomatic methods, capital, commercial and political ambitions as they are. Change in some there may be soon, but not in all, and in many cases not radical change.

Foreign trade will continue—and will increase. Surplus capital will accumulate, and its export from various countries—including the United States—will continue. The question for the statesman becomes: how may we improve the conditions under which competition takes place; what steps can we take to diminish the possibilities of conflict?

It will be useful to pass briefly in review the policies, informal and formal, which have been in force with regard to China since occidental contact became of consequence.

During the early years of the Canton trade, the French, English and American merchants found it possible and convenient substantially to co-operate and to pursue a harmonious and common course in making representations to the Chinese. When the legations were opened at Peking, the first American minister, Anson Burlingame, took the lead in shaping a political co-operation which endured for a decade after he had returned to the West as China's special ambassador. A deviation occurred when at the making of the Chefoo treaty Sir Thomas Wade failed to take his colleagues into his confidence. The next few years witnessed a gradual falling apart, and with 1885 there began a distinct era of individualism. Individualism attained its extreme development between 1894 and 1898 when the Chinese diplomacy of the European powers committed itself to the taking of concessions on every hand, and the staking out of "spheres of influence."

It was just after this "scramble" that the United States first assumed territorial responsibilities in the Pacific, and, at a moment when the commercial and political future of China was in absolute doubt, Secretary Hay came forward with the request to the powers that they pledge themselves to the principle of equal opportunity for the commerce of all comers in their respective spheres of influence. In the next year he came to the aid of China and played boldly for the peace of the Far East by securing pledges of the powers to respect the terri-

torial integrity of the delinquent empire. Since then the open-door policy—which includes the two features of equality of opportunity and the territorial integrity of China, has been the one fixed principle in American far eastern endeavor.

As we have sought under the Monroe Doctrine to prevent interference which would undermine the political *status quo* in the western hemisphere, so under the principle of the open door we have opposed—in theory at least—activities tending toward new alterations of the territorial *status quo* or toward international complications, either political or commercial, in China. The protection of weaker states and the prevention of the establishing at their expense of conditions which would be a menace to ourselves and to peace have been our motives in both policies.

Until the Russo-Japanese War, the United States, Great Britain and Japan co-operated in support of the open door. After the war Japan developed a new interpretation intelligible to and soon approved by Russia. Great Britain, allied with Japan and preoccupied with affairs elsewhere, acquiesced. The United States made intermittent and increasingly ineffective inquiries as to activities and intentions.

There was a period just before 1909 when the complexities of the far eastern situation seem to have been neglected at Washington in favor of interest in South America. But in 1909 there came a revival of American official effort to render the open-door policy effective. Dollar diplomacy, so called, much misunderstood, and generally abused, sought in the Americas to strengthen our influence, and in the Far East to revivify the open-door principle and make equality of opportunity a reality. Through loans and through investments in railways, President Taft and Secretary Knox thought to hold open the narrowing door and to substitute action for words in our efforts on China's behalf.

Whether the suggestion originated in Washington or in Wall Street does not greatly matter. The currency loan and the neutralization proposals bear witness to the fact that the administration was not seeking advantages for America exclusively. That the major projects were opposed and were de-

feated was due to no inherent fault in the proposals themselves. It but served to show how concessions in the hands of certain other powers were used to the disadvantage of China and the exclusion of competitors.

The Chinchou-Aigun railway project was a legitimate business proposition—for the advantage of China along with that of the concessionaires. It involved the co-operation of American capital, English engineers, and Chinese administration and ownership. The Knox proposal for the neutralization of Manchurian railways could have been put forward only by a government which was playing a straightforward game. Had it been accepted, the plan promised much for the ultimate advantage of every country interested in the economic development of China and caring for the peace of the Far East.

The United States was unable to put through the neutralization scheme, for three reasons: We had not sufficient economic anchorage in the region concerned; we had no intention of using or threatening to use force; we were left in the lurch diplomatically in quarters where we had been led to believe we would have support.

Diplomacy, we shall probably all agree, needs reforming. It needs a new code of morals and a new set of rules. The greatest evil of the present system is not that it is conducted by individuals rather than by nations, but that it is played like a game of cut-throat auction bridge, rather than—as is often popularly and erroneously declared—like a game of chess. Chess is played on an open board, with no chance for deceit or lying; diplomacy is not.

Satisfactory diplomacy, democratic control or not, we shall not have until we shall have established a code wherein the word of a statesman is given upon the honor of his state, and when the word of one state to another is equivalent to the same among gentlemen.

In 1910 we gave up the struggle in Manchuria and concentrated our attention upon loan projects. President Taft's insistence had won for American capitalists our rightful participation in the Central China loans, and the four-powers consortium was formed. We were taking part in the development

of a new form of co-operation. Japan and Russia were ultimately admitted to the loaning group because it was conceived by the governments already committed to the principle of common action that it would be best to avoid the hidden conflict of interests which refusal to admit them would involve. Thus was formed the six-powers consortium.

In 1913 the new administration in the United States withdrew its support from the American banking group, and this group in turn withdrew from the six-powers syndicate. A very considerable number of well-informed and unprejudiced observers have felt that our government's action was due to a mistaken view of the facts of the situation, together with undue apprehension as to the possible effect of this co-operative financial activity upon China's future and upon America's freedom of action—not to mention questions of domestic policy. The withdrawal of the American group left American influence in the Far East greatly diminished. It was felt that we had repudiated our own traditional policy of co-operation, that we could not be depended upon, that we had committed ourselves to a stay-at-home program, and that American trade and foreign investments would henceforth receive no official support.

Almost simultaneously with this withdrawal there came the acute renewal of the Japanese controversy on this side of the Pacific; and the attitude which Japan assumed developed on the part of our government an apprehensiveness which has persisted and has kept Washington upon the defensive to this day. It might be said that from 1913 until recently the United States has been in no position resolutely to maintain other than a negative policy. Be that as it may, the State Department has contented itself with the making of essentially non-committal affirmations of our continued adherence to the open-door principle.

A possibility with regard to China which challenges and which must have American attention has recently been suggested by the proposal put forward, unofficially but obviously with official approval, by Baron Shibusawa: that America and Japan should co-operate in the economic development of China.

A similar suggestion which Count Okuma had made earlier to Great Britain, that British capital and Japanese brains should form an alliance for the exploitation of China, was not favorably received in England. Until very recently no proposal for American-Japanese co-operation in that field could have been considered with other than misgiving.

But after February 1917, the situation in the Far East greatly changed. The Russian Revolution gave a new character to the Russo-Japanese combination which, developed under the leadership of Japan during the past ten years, was consummated in July last. The entry of the United States into the war has put us in an entirely new position. We have recognized that we can no longer cling to the illusion of our isolation. We are co-operating with other nations for common ends. We shall soon be reasonably strong in a military sense. We already have arrived at supremacy in financial resources. We are now in a position where we may make bold to have a voice again and to take part effectively in the affairs of the Far East.

Japanese statesmen have sensed the significance of the new turn of events. The Terauchi government has recently affirmed in an entirely new tone its devotion to the principles of equality of opportunity and territorial integrity and its desire to see the commercial development of China made a matter of interest and participation for the powers which have capital to invest. It is also being declared in Japan that concessions henceforth must be of a non-political character.

Now if ever is the opportune moment for us vigorously and in a practical way to reaffirm our interest in the open-door policy. We have never repudiated it. We can not give it up; we should not if we could. The enforcement of the open-door policy is of vital importance to the maintenance of the Monroe Doctrine. The closing of China's markets, the absorption of China's territory within the customs boundaries of any or several foreign powers would diminish the opportunity for trade of others in the Far East, and in proportion as that opportunity may be diminished, competition for the trade of South America will after the war increase. This would add to the

likelihood of complications in the western hemisphere and become a menace to the Monroe Doctrine.

China offers the greatest existing field for commercial and industrial development. We desire that the markets of Asia remain open. Great Britain is with us in this. The value to her of the open door in China is greater in its immediate aspects than it is to us. China also wants the open door; it is to her advantage to have equality of opportunity for all comers to her markets. We should be able to count upon British and Chinese co-operation.

Our actual investments in China do not at present total a large sum. Our trade there has not increased as considerably as it should have in recent years. Our shipping on the Pacific has languished. Our trade with Japan has increased, but it will not continue to do so in a constant ratio. We have been furnishing raw materials to Japan which Japan has sold in the form of finished products to China. But we are becoming more and more a manufacturing people. We shall be inclined more and more to seek the total profit from the combination of the raw materials and the manufacturing process. The importance of China's markets to us is an importance of the future. It should be our object to prevent the closing of markets which we shall desire before many years to have at our disposal.

China needs capital. She must get it, she is eager to have it. She has repeatedly asked it of us. Without capital she cannot develop her resources. Upon the development of her resources depends the increasing of her power to sell and to buy. Upon this depends her economic and probably her political salvation. All this means that there must be investments—capital from abroad. But investments in China require, under existing conditions, the giving and taking of concessions, with a certain amount of foreign supervision. There is nothing inherently evil in the process. The thing that is desirable is that investments and concessions—those on a large scale at least—be subjected to regulation. The present evil lies in absence of regulation, in extreme individualism. There should be regulation through a group of governments—including the Chinese—on a basis of co-operation.

That trade and capital will seek markets, that far-sighted individuals or groups will invade a region where rich resources lie undeveloped, is inevitable, as inevitable as has been migration to our western prairies. The question is not, is this a good thing; ought it to be? The practical question is, how ought such activities be carried on; how may they be regulated? To say that capital should not be allowed to go abroad, or should not be protected if it does go abroad, is to emphasize the very lines—national lines—which the same persons who take that view declare to lie at the root of international strife.

But if, permitting capital to go abroad, we are to protect it, the nation, through the government, should have something to say both as to the circumstances under which it shall go and as to the conditions affecting the competition into which it enters. If we choose to regulate the investor, we must have a definite, consistent and continuing policy as to what shall be the relationship between the government and the capital which goes abroad. To participate in the determining of the conditions of competition, we must be economically intrenched in the region which is the field of competition.

We wish three things in the Far East, and these are the limits of our policy: equal opportunity, justice and peace. We can do nothing toward assuring these by merely asserting our indifference to what happens to American dollars which do not heed the suggestion that they stay at home. We must consider the disposition and temperament of our own people. We are a young, virile, self-confident, wealthy, idealistic, missionarily-inclined race. We are confident of our fitness and ability to compete in the markets and to participate in the councils of the nations. Our people never have stayed at home through fear of getting themselves into difficulties abroad. We are of pioneering stock. We will not forbid capital to go. It will go. It is going into China now, without governmental assistance—officially, without regulation, without specific guarantee of protection. What do we intend to do, what may it be presumed that we will do if the individualistic activities of other nations result in its being subjected to injustice? A

policy of *laissez faire, laissez aller* is the very thing calculated to continue the existence of conditions wherein situations may arise that will bring us into such conflict as we seek, by doing nothing, to avoid. We can have influence only when we are in things, but not overwhelmed by them. We should put ourselves in a position where we can vote large blocks of stock in the financial councils of the powers which are in continuous session in Peking.

Various powers have at one time or another secured from China promises—in treaties or contracts—of whose ultimate possibilities the Chinese have had, at the moment of the making, no conception. Subsequently, when to their advantage, these powers have brought out and used these pledges. At the same time, repeatedly, these same powers have claimed immunity from the binding force of various pledges of their own, made to or with regard to China, on the plea of “altered circumstances.” What is sauce for the goose is not sauce for the gander; but it should be. If other powers are to escape because of altered circumstances from the obligation of pledges inconvenient to themselves, surely China too ought not be held to conditions which have been agreed to under the representation that they would be to the advantage of all concerned, new circumstances having brought it about that their enforcement is to the disadvantage of some and to the unfair advantage of one or two parties only. Various of the old far eastern agreements should, by international agreement, be legislated out of existence. There should be a cleaning of the old slate, with its entries of individualism. There should be new agreements, entered into by all the interested powers, drafted on the principle of fair play for all, with full respect for the rights of all, and establishing effective limitations upon the hitherto assumed right of each state, because independent, to act independently and with a view to its own peculiar and selfish interests.

Japan declares that her China policy is “commercial” only. Much evidence might be introduced to show that it is that, and much to show that it is more than that. At the conclusion we should have proved nothing. Now the Japanese come inviting co-operation. Can we accept this invitation?

There are those who warn against "predatory nations." The Chinese have a way of buying off predatory individuals or putting an end to their depredations by giving them occupations at once gainful and legitimate. Might we not consider the possible application of this principle in dealing with what are suspected of being predatory nations? Where nations have opposed our policies, might it not be possible to win them to acceptance of the principles which we advocate, by making it more profitable for them to work in accordance with than contrary to these principles?

The form of co-operation which the Japanese have actually proposed—unofficially—suggests an informal partnership in which Americans would be expected to supply capital and leave it to Japan to do the investing in China. To this there have been raised, and there stand obvious objections. It might be possible, however, to consider the invitation in principle and offer amendments to the plan proposed. We could say: We welcome the suggestion of co-operation. The Chinese are asking for capital and for assistance in engineering and industrial enterprises. The two go together. We are interested in *bona fide* commercial undertakings on a non-political basis. Let our opportunity be made equal to yours, let the idea of exclusive appropriation of opportunities within spheres of influence be given up; we will lend you money, and you and we may enter the field on equal terms. There is more than room in China for all the capital and all the expert assistance that can be supplied by both of us and by others. We will put capital at your disposal if you will in return freely concede the right of our investors and entrepreneurs along with yours and those of other nations to share in such opportunities as the Chinese may be willing to assign to them. This would be co-operation without partnership, mutual helpfulness without prejudice to the rights and interests of others.

In whatever effort we may make to lead away from the vicious and discredited practices of individualism which have prevailed, we should avoid alignments which tend to substitute competition by groups, for these would merely intensify rivalries by decreasing the number and increasing the strength

of the competitors. We should either stand alone or endeavor to establish a combination in which the opportunity to participate shall be open to all. We should offer our capital only where we are assured that it will not be used to further political ends of which we do not approve. If we think to avert rather than to precipitate conflict, if we are seriously interested in the problem of developing China's resources with a minimum of friction, we must work for something more promising than a new application of the old individualistic principle.

This suggests nothing short of general, that is, extended, international co-operation for the placing of capital in China. To the question, might not concessions and investments in China be subjected in both their political and their financial aspects to international agreement and control, the answer comes: "This was tried in the case of the six-powers consortium, and it failed." True. But the failure of an experiment does not demonstrate the futility of a principle. The first flying machines did not fly, and federal alliances have been known to fail.

Under ideal conditions, free competition in the Chinese investment market would probably be the best system. But free competition there has not been and does not seem likely to be. The staking out and development of spheres of influence has not produced harmony. Bilateral affirmations of devotion to the principles of the open-door policy have not ensured equality of opportunity. Political partnerships have not assured commercial peace—even between the contracting parties. The financial consortium has been tried, but not with a carefully constructed plan, and only under unfavorable conditions.

What we know of the experiences and the causes for the failure of the six-power consortium might go far toward suggesting things to be done and things not to be done in the attempt to devise a better form of co-operation. One of the greatest obstacles to its success was the fact that some governments and some groups of capitalists were intent upon the maximum of immediate advantage to themselves, with little thought of the general interest, and with utter indifference to

the wishes and the susceptibilities of the Chinese. If it could be understood once for all that there is room in China for the capital of all who wish to invest and that every nation will profit more through the adoption of a common and fair policy than any one can by pursuing the past methods of political competition and aggression, a new era would dawn.

Effective international co-operation in the Far East would require a common acceptance instead of particular applications of "dollar diplomacy." It would require frank co-operation on the part of the governments of those states which have capital for foreign investment. Through the co-operating governments, the capital which goes from any or from all could be directed and controlled in its migratory activities. Each state would still be free to make its own decisions as to whether and how its government should approve the export of its own capital. Co-operation should begin at home, but the state should control. As a group, the co-operating states, including and with the consent of China, could determine the distribution and guarantee the security of capital accepted for Chinese enterprises.

The joint regulation suggested need not be made to apply in all cases; it might be limited to major, to large-scale enterprises. The actual carrying-out of any given constructive enterprise might be allotted by the group to nationals of one or another country—including the Chinese. Administration of special securities, where required, should be subject to an international personnel, after the model of the Chinese Customs Service. It should be understood that no concession should be taken and no investment be made which had not the approval of the Chinese government.

Small enterprises might be considered in a separate class and perhaps not be subjected to joint regulation. The following principle, however, should be made to apply in all cases, both for old and for new, for large and for small investments: In case of controversy or conflict involving the necessity for intervention, such pressure as may need to be brought to bear shall be decided upon by the co-operating powers jointly, or by an international court, and shall be directed against the Chinese

government only, or with its consent against whoever may be the offender.

Unquestionably, many difficulties stand in the way, and many problems would have to be solved for such a proposal to be accepted and to succeed. It is not within the province of this discussion to suggest a detailed plan—that would have to be worked out by statesmen and financiers; for present purposes the desire is to emphasize the principles of co-operation and regulation.

The United States is in a position where she may, if she chooses, take the lead in a movement for the formulation of a co-operative policy. The responsibilities of opportunity and capacity are upon us. If we wish to make our ideas and ideals prevail, we must first combine the forces which constitute the instruments of our own influence, and then secure co-operation between these instruments and similar instruments of other nations. Co-operation of some sort must take the place of individualism, both in internal and in international affairs.

If there is any region in the world today in which it is practicable to attempt the experiment of a league of forces, economic and political, for the preservation of the peace, that region is to be found in the field which has long been a battle ground of trade, concessions and investments—the Far East.

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